

Development of 2002-04 Agency Operating and Capital Recommendations

Planning for the 2002-04 agency biennial budget occurs amid significant concern for the Commonwealth's short-term economic outlook. Revenue estimates for 2001-02 already have been adjusted downward by \$295 million with the prospect of an additional \$100-200 million shortfall. The council's agency operations appropriation already has been reduced 3 percent in 2001-02 and we expect another round of cuts before the end of the calendar year.

Our focus in 2002-04 is on continuing the reform and on those activities that directly affect the reform. For this reason, expansion requests will be limited in number and will focus on the strategic trust funds and to a limited extent the pass-through programs and the KYVU/KYVL budget. There will be no expansion requests for agency operations.

KYVU/KYVL

The Kentucky Virtual Library has been an unqualified success with over 600,000 hits per month. The public and independent institutions, along with the Kentucky Department of Education and the Kentucky Department for Libraries and Archives, formed a consortium that: provides all citizens of Kentucky broad access to 34 electronic databases; allows for postsecondary education institutions and other libraries to share a common library management system; and extends a ground-courier service for delivery of instructional and library materials across the Commonwealth. The 2002-04 biennial budget proposal will include a request for \$1.0 million for an additional nine electronic databases and an allocation of \$300,000 to upgrade the library management system, replace the library search software, and permit continuing upgrade of computer-based systems.

Pass-Through Programs

The Contract Spaces pass-through program provides 36 seats in veterinary medicine at Auburn University and Tuskegee University and 14 spaces in optometry at Southern College of Optometry in Tennessee, the University of Alabama, and Indiana University optometry schools. We will request sufficient funds – \$150,200 in 2002-03 and an additional \$237,200 in 2003-04 – to maintain the current veterinary and optometry seats at the adjusted tuition rates.

Kentucky must show continuous progress in the recruitment of African American faculty and staff and in the recruitment of African American students. In the current biennium, the council approved \$187,000 in non-recurring funds from the Technology Initiative Trust Fund for 11 additional minority doctoral scholars in the SREB Faculty Diversity Program. We will request

state funds to replace those non-recurring funds so this program can continue at the current enhanced level.

The Governor's Minority Student College Preparation Program prepares minority middle-school students for college by giving them on-campus experiences. Again, the council approved non-recurring funds from the Technology Initiative Trust Fund (\$95,000) to expand by 10 the number of sites primarily at KCTCS institutions. We will request state funds to replace those non-recurring funds so this program can continue at the current enhanced level.

Current Services Request

The agency operations, the KYVU, and remaining pass-through program budgets will live within the limits of current services funding provided by the state to all agencies. As of this date, the state proposes a 2 percent increase in state appropriation for each year of the new biennium. Again, as of this date, the state proposes that each state employee receive an annual 5 percent salary increase. There is no guarantee that the 2 percent increase can be provided in the coming biennium. But salary increases, health insurance rate increases, and any inflationary increases in operating expenses have to be absorbed within the state appropriation.

Agency Capital Budget Request

State agencies are required to present all leases in excess of \$200,000 as a capital expense item. The lease for the offices in the Capital Center Complex are just below the \$200,000 limit and may exceed that limit during the 2002-04 biennium. We will report the lease as a capital item.

The council staff presented a tentative capital project for expansion of the Kentucky Postsecondary Education Network (KPEN) as part of the agency's six-year capital plan. The 2002-04 budget proposal will include \$1.0 million for network expansion (see trust funds agenda item). At this time, we do not know whether the funds that are requested for the network will be used to issue bonds for the purchase of equipment (capital expense) or whether they will support payments for additional bandwidth (operating expense). A group of state and university technology officers is looking at the requirements for a new, improved network. The capital project request gives the council options to either allocate all or part of the \$1.0 million requested in the Technology Initiative Trust Fund to operating expenses or debt service payments.

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